

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 AGR-05 CU-02 IO-11

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 LAB-04 SIL-01 L-03 PA-01 PRS-01 /101 W

----- 074165

R 130940Z JAN 76

FM AMCONSUL CALCUTTA

TO SECSTATE WASHDC 5070

INFO AMCONSUL BOMBAY

AMCONSUL MADRAS

AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 2 CALCUTTA 0110

E.O. 11652: GDS

TAGS: PINT, EGEN, IN

SUBJ: BIHAR AND RURAL WEST BENGAL--POLITICAL AND ECONOMIC
SITUATION

1. SUMMARY: DURING VISIT OF CALCUTTA ECONOMIC/COMMERCIAL OFFICER TO RURAL WEST BENGAL AND BIHAR, LOCAL GOVERNMENT OFFICIALS AND BUSINESSMEN GENERALLY EXPRESSED SATISFACTION WITH CURRENT SITUATION. THEY ARE PLEASED WITH LOW FOOD PRICES AND THE QUIET ON LAW AND ORDER FRONT. ON THE OTHER HAND, LACK OF DEMAND REMAINS A PROBLEM FOR BUSINESS AND IN BIHAR CONTINUING SUPPORT FOR JP NARAYAN A PROBLEM FOR THE GOVERNMENT. END SUMMARY.

2. DURING WEEK OF JANUARY 5-10, CONGEN ECONOMIC COMMERCIAL OFFICER LIEBOWITZ, ACCOMPANIED BY FSL GUPTA, VISITED MIDNAPUR IN WEST BENGAL AND JAMSHEDPUR, RANCHI, AND PATNA IN BIHAR. IN ADDITION TO DISCUSSING GSP WITH LOCAL BUSINESSMEN AND EXPLORING COMMERCIAL POSSIBILITIES (WE ARE REPORTING SEPARATELY ON THIS), THEY DISCUSSED ECONOMIC AND POLITICAL SITUATION WITH ADDITIONAL DISTRICT MAGISTRATE IN MIDNAPUR,
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DIVISIONAL COMMISSIONER IN RANCHI, BIHAR STATE OFFICIALS

IN PATNA, AND VARIOUS BUSINESSMEN ALONG THE WAY.

3. MIDNAPUR: AS THE DISTRICT MAGISTRATE WAS AWAY, LIEBOWITZ MET WITH ADDITIONAL DISTRICT MAGISTRATE (ADM) WHO EXPLAINED THAT MIDNAPUR IS SECOND LARGEST DISTRICT IN INDIA (AFTER 24 PARGANAS--ALSO IN WEST BENGAL) WITH ALMOST SIX MILLION PEOPLE. MOST ARE ENGAGED IN FARMING, ALTHOUGH THERE IS A LARGE RAILROAD WORKSHIP IN KHARAGPUR. AS ELSEWHERE IN THE COUNTRY, THE HARVEST HAD BEEN GOOD IN THIS DISTRICT, AND RICE WAS NOW SELLING AT THE LOW PRICE OF RS. 1.65 PER KG. AT THE SAME TIME THE PRICE TO THE FARMERS WAS STILL REASONABLE--AROUND RS. 90 PER QUINTAL FOR PADDY--SUBSTANTIALLY ABOVE THE GOVERNMENT PURCHASE PRICE.

4. THE ADM WAS MOST PLEASED WITH THE RESULTS OF THE EMERGENCY. APART FROM REPEATING THE STANDARD LINE ABOUT PEOPLE COMING TO WORK ON TIME, HE ALSO SAID IT HAD MADE A MARKED DIFFERENCE IN THE LAW AND ORDER SITUATION, WHICH WAS HIS RESPONSIBILITY. FOR EXAMPLE, THERE WERE MANY FEWER ROBBERIES FROM RAILROAD WAGONS AT THE NEARBY RAILROAD YARDS. HE ALSO REPORTED THAT VIOLENCE BY NAXALITIES, IN WHAT WAS ONCE ONE OF THEIR STRONGHOLDS, HAD ALSO DISAPPEARED.

5. JAMSHEDPUR--RUSSI MODI, MANAGING DIRECTOR OF THE TATA IRON AND STEEL COMPANY (TISCO), WAS LESS PLEASED WITH CONDITIONS. THE GOI HAS INSISTED THAT TISCO KEEP UP ITS PRODUCTION, BUT HE COULD NOT SELL THE STEEL MANUFACTURED. HE WONDERED WHY THE STATE BANKS COULD LOAN HIM TENS OF MILLIONS OF RUPEES TO HOLD ON TO AN INVENTORY OF STEEL, BUT COULD NOT LEND THE MONEY TO SOME CONSTRUCTION SCHEME--FOR INSTANCE, THAT WOULD PROVIDE NEEDED HOUSING, PUT PEOPLE TO WORK, AND PROVIDE A MARKET FOR STEEL AND CEMENT, BOTH OF WHICH WERE IN ABUNDANT SUPPLY.

6. MODI DID NOT THINK THE EMERGENCY HAD MADE MUCH DIFFERENCE IN THE WAY HE RAN TISCO. THERE HAD NOT BEEN ANY MAJOR LABOR RELATIONS PROBLEMS BEFORE THE EMERGENCY, AND THERE WERE NONE AFTERWARDS. HE HAS NOT DONE ANYTHING DIFFERENTLY AFTER JUNE 26 THAN BEFORE.

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7. RANCHI: THE CITY OF RANCHI IS HEADQUARTERS OF THE DIVISION OF SOUTH CHOTANAGPUR, COMPRISING THREE DISTRICTS. IT HAS A POPULATION, ACCORDING TO THE DIVISIONAL COMMISSIONER, OF 4.9 MILLION, OF WHOM SOME 33 PERCENT ARE TRIBALS. ALTHOUGH THE DIVISION CONTAINS SOME OF INDIA'S LARGEST INDUSTRIES IN RANCHI AND JAMSHEDPUR, MOST OF THE PEOPLE LIVE ON VERY POOR AGRICULTURAL LAND, ONLY SOME FOUR PERCENT OF WHICH IS IRRIGATED. IRRIGATION WAS THEREFORE THE COMMISSIONER'S TOP

PRIORITY. BECAUSE THE WATER TABLE WAS SO LOW IN THIS HILLY REGION, WATER WOULD HAVE TO COME FROM RIVERS AND STREAMS OR LARGE-DIAMETER WELLS. VARIOUS PROGRAMS TO HELP THE TRIBALS ARE ALSO UNDER WAY.

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C O N F I D E N T I A L SECTION 2 OF 2 CALCUTTA 0110

8. THE DISTRICT COMMISSIONER CLAIMED THAT CURRENT CONDITIONS WERE GOOD. RICE WAS SELLING AT RS. 150-165 PER QUINTAL, OR ONE-HALF OF LAST YEAR'S PRICE, AND LAW AND ORDER HAD IMPROVED A GREAT DEAL SINCE THE EMERGENCY. BUSINESSMEN IN RANCHI ALSO PRAISED THE EMERGENCY, ARGUING THAT INDIA NEEDED STRONG, EVEN HEREDITARY LEADERSHIP.

9. PATNA: AT LEAST SUPERFICIALLY, PATNA SEEMS TO BE RECOVERING FROM THE FLOODS OF LAST AUGUST-SEPTEMBER. ROADS AND BUILDINGS ARE BEING REPAIRED, AND THERE IS LITTLE OBVIOUS SIGN OF DAMAGE OTHERWISE. PEOPLE STILL POINT OUT HOW HIGH THE WATER WAS IN VARIOUS PARTS OF TOWN AND SAY THAT MANY HUNDREDS OF PEOPLE, SUCH AS PAVEMENT DWELLERS WHO WERE NEVER COUNTED, MUST HAVE DIED IN THE FLOODS. THE BIHAR CHIEF SECRETARY CLAIMED THAT WARNING HAD BEEN GIVEN TWELVE HOURS IN ADVANCE, BUT OTHERS REPLY THAT EITHER THEY DID NOT HEAR THE WARNING OR IT DID NOT EMPHASIZE THE

SERIOUSNESS OF THE FLOOD. PLANS ARE UNDER CONSIDERATION TO BUILD AN EMBANKMENT AROUND THE CITY FOR PROTECTION AGAINST A SIMILAR DISASTER, BUT THERE IS SOME QUESTION ABOUT THE NECESSITY FOR SUCH A MEASURE SINCE SUCH FLOODS ONLY OCCUR
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ONCE EVERY HUNDRED YEARS.

10. OTHERWISE THE CHIEF SECRETARY WAS EXCEEDINGLY OPTIMISTIC-- "REALISTIC," HE SAID. THE GOVERNMENT WAS ACTIVELY IMPLEMENTING THE 20 POINT PROGRAM. SOME 100,000 ACRES OF EXCESS LAND HAD BEEN TAKEN OVER BY THE STATE, OF WHICH 50,000 HAD BEEN DISTRIBUTED. SEVERAL HUNDRED THOUSAND FAMILIES HAD BEEN GIVEN TITLE TO HOMESTEADS, AND THE ABOLITION OF RURAL DEBT HAD BEEN RECEIVED WITH GREAT ENTHUSIASM IN THE VILLAGES.

11. POLITICALLY, THINGS WERE MUCH QUIETER THAN THEY HAD BEEN. IMPROVEMENTS HAD BEEN MADE IN SUCH STUDENT FACILITIES AS BOOKS AND HOSTELS AND THE CAMPUSES WERE NOW PEACEFUL. CHIEF SECRETARY MENTIONED THAT THERE HAD BEEN CALLS FOR DEMONSTRATIONS AND MEETINGS ON THE OCCASION OF J.P. NARAYAN'S RELEASE FROM PRISON. MANY PEOPLE IN BIHAR--EVEN IN THE GOVERNMENT, HE CONCEDED, RESPECTED J.P. FOR HIS ROLE IN THE INDEPENDENCE MOVEMENT, BUT THIS SYMPATHY HAD BEEN USED BY EXTREMIST ELEMENTS FOR THEIR OWN ENDS. THE GOVERNMENT WAS THEREFORE OBLIGED TO PUT DOWN THE MOVEMENT. (IT WAS UNCLEAR FROM THE CHIEF SECRETARY'S WORDS TO WHAT EXTENT PRO-J.P. DEMONSTRATIONS HAD TAKEN PLACE.)

12. THE AGRICULTURE SECRETARY OF THE BIHAR STATE GOVERNMENT WAS ALSO QUITE POSITIVE ABOUT THE SITUATION IN THE STATE. IN SPITE OF THE FLOODS, THE CROP WOULD BE QUITE GOOD THIS YEAR--NO LOWER THAN IN PREVIOUS YEARS. SINCE THE EMERGENCY AGRICULTURAL LABORERS TENDED TO GET THE MINIMUM WAGE AND THERE WAS SOME IMPROVEMENT IN ENFORCING RESTRICTIONS ON LARGE LANDOWNERS.

13. WHILE ADMITTING THAT LARGE PART OF RESPONSIBILITY FOR THIS HAPPY SITUATION MUST GO TO GOOD MONSOON, GOVERNMENT OFFICIALS SEEMED GENUINELY PLEASED THAT THEY COULD NOW IMPLEMENT THEIR PROGRAMS WITH LESS OUTSIDE INTERFERENCE. MODI WAS UNCERTAIN ABOUT LONG-TERM OUTLOOK FOR TISCO, BUT SMALL BUSINESSMEN SEEMED TO THINK THAT GOVERNMENT WAS NOW GIVING THEM MORE SUPPORT THAN BEFORE. ONE MARWARI INDUSTRIALIST IN RANCHI COMMENTED TO REPORTING OFFICER THAT HE SHOULD NOT PAY MUCH ATTENTION TO LEFTIST RHETORIC OF POLITICAL LEADERS; IT WAS MERELY A MEANS OF PREEMPTING
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